

# DOCUMENT FILE

## NOTE

865D.516

SEE 865d.01/107 FOR #1710

FROM Italy ( Kirk ) DATED May 29, 1936  
TO NAME 1-1127 ...

REGARDING:

Banking. Reports that a mission of economic and financial experts from Addis Ababa was shortly expected in Ethiopia to study questions connected with liquidation of the Bank of Ethiopia and monetary situation.

865D.516 / 1

### Banking.

Under date of May 22nd it was reported from Addis Ababa that a mission of economic and financial experts was shortly expected in Ethiopia to study questions connected with the liquidation of the Bank of Ethiopia and the monetary situation. It is pointed out that the Bank will pay off its debts and paper current one-hundred percent, its silver coverage being intact.

The Bank of Italy is now said to be functioning normal-

ly

ly, and the lira is used for commercial purposes, even among the natives, who, newspaper correspondents maintain, now prefer it to the thaler. Italian paper money is said to be in great demand, and it has been reported that the Mohammed Ali concern took in 400,000 lire in two days.

WM. W. LANCASTER

RECEIVED

DEPARTMENT OF STATE

1936 JUN 25 AM 9 54

DIVISION OF WESTERN  
EUROPEAN AFFAIRS

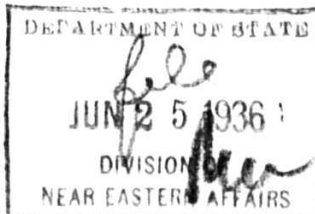
JUN 29 1936

55 Wall Street

New York

8650.516  
Secretary of State,  
Washington,  
D. C.

DIVISION OF  
COMMUNICATIONS  
RECORDS



June 24, 1936.

ack. & telegram  
to Addis Ababa  
6/26/36  
PHA/LS

Dear Sir:

Re: Bank of Ethiopia, Addis Ababa, Ethiopia.

Referring to the telephone conversation had today with your Mr. Wallace Murray, The National City Bank of New York, our client, received on June 23, 1936 the following cablegram purporting to have been sent by "Luigi Castagnaro, Manager Bankitalia, Addis Abeba, Liquidator":

"IN MY CAPACITY OF LIQUIDATOR OF BANK ETIOPIE PLACED IN LIQUIDATION AS PER DECREE OF THE VICEROY OF THE 20TH INSTANT PLEASE HOLD AT MY EXCLUSIVE DISPOSAL FUNDS AND OTHER ASSETS BELONGING TO SAID BANK CABLE AMOUNTS TO ME AND SENDING ME STATEMENTS OF ACCOUNT."

The Bank has received today the following cablegram purporting to have been sent by the "Bank of Ethiopia, Addis Ababa, Ethiopia";

"WE HAVE BEEN INSTRUCTED TO INFORM YOU THAT IN ACCORDANCE WITH GOVERNMENT DECREE PUBLISHED HERE ON JUNE 20TH BANK OF ETHIOPIA HAS BEEN PUT INTO LIQUIDATION AS FROM DATE OF DECREE FULL STOP LIQUIDATOR(S) APPOINTED CAVALIERE G. LUIGI CASTAGNARO MANAGER(S) BANCA D ITALIA ADDIS ABABA FROM WHOM YOU WILL RECEIVE INSTRUCTIONS AND TO WHOM PLEASE SEND STATEMENT OF OUR ACCOUNT UP TO AND INCLUDING JUNE 20TH."

There is on deposit with our client here in New York to the credit of the current account of the Bank of Ethiopia a small five-figure balance.

We would appreciate receiving your observations with respect to the foregoing cablegrams.

Very truly yours,

Wm W Lancaster

8650.516/2

FILED

JUN 30 1936

FP



DEPARTMENT OF STATE

DIVISION OF NEAR EASTERN AFFAIRS

June 24, 1936.

*file  
per*

W. W. Lancaster of the National City Bank of New York City called me by long distance telephone this morning with regard to the following matter:

Mr. Lancaster stated that the Bank had received a cablegram signed by Luigi Castagnaro, who is apparently the Manager of the Banca Italia in Ethiopia and who states that he is the liquidator of the Bank of Ethiopia in Addis Ababa. Mr. Castagnaro's telegram read somewhat as follows:

"Please hold at my exclusive disposal funds and other assets of the Bank of Ethiopia and wire me a statement of the account."

Mr. Lancaster was also in receipt of a telegram from the Bank of Ethiopia itself, reading approximately as follows:

"We are instructed to inform you that in accordance with a Government decree published on June 20th the Bank of Ethiopia has been put in liquidation as from the date of the decree. Luigi Castagnaro, Manager of the Banca Italia, has been appointed liquidator of the bank and you will receive instructions from him."

Mr. Lancaster informed me that a sum of not more than eleven thousand dollars was on deposit in the National City Bank to the credit of the Bank of Ethiopia. He contemplated replying to Mr. Castagnaro's telegram to the effect that the matter had been referred to counsel of the National City Bank and that meanwhile the Bank would appreciate receiving copies of the decree in question.

In reply to Mr. Lancaster's request for my views on the above situation,

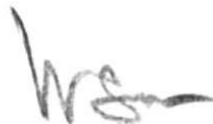
DEPARTMENT OF STATE

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DIVISION OF NEAR EASTERN AFFAIRS

- 2 -

situation, I suggested that he might address a communication to the Department of State setting forth the full facts in writing and that the matter would be duly considered by competent officials here. Mr. Lancaster said that he might be in Washington next week and he would take an occasion to call at the Department to discuss this situation.



Wallace Murray.

WSM/GC

June 29 1936

In reply refer to  
NE 865D.516/2

My dear Mr. Lancaster:

I have received your letter of June 24, 1936, quoting two telegrams which have recently been received by your client, the National City Bank of New York, with respect to a current account held to the credit of the Bank of Ethiopia.

I am not sure that we shall be in a position to offer any advice on this matter, but before coming to a decision we should like to consider the matter for a few days. I shall hope to write you further early next week.

Sincerely yours,

For the Secretary of State:

Wallace Murray  
Chief, Division of Near Eastern Affairs

✓  
OK  
JUN 27 1936.  
JUN 29 1936. PM

Mr. William W. Lancaster,

55 Wall Street,

New York, New York.

NE PHA/LS

Le PA

A true copy of the original  
JUN 29 1936

865D.516/2

# TELEGRAM SENT

TO BE TRANSMITTED  
CONFIDENTIAL CODE ✓  
NONCONFIDENTIAL CODE  
PARTIAL  
PLAIN

Collect  
Charge Department  
OR  
Charge to  
\$

## Department of State

Washington,

1936 JUN 27 PM 2 10

June 27, 1936.

VIA NAVAL RADIO



AMLEGATION,

ADDIS ABABA (ETHIOPIA).

287 (RAY)

1 National City Bank of New York has informed the Department of the receipt of the following telegram purporting to have been sent by QUOTE Luigi Castagnaro, Manager Bankitalia, Addis Ababa, Liquidator UNQUOTE:

QUOTE In my capacity of liquidator of Bank Etio pie placed in liquidation as per decree of the Viceroy of the 20th instant please hold at my exclusive disposal funds and other assets belonging to said bank cabling amounts to me and sending me statements of account. UNQUOTE

National City Bank also reports receipt of following telegram purporting to have been sent by QUOTE Bank of Ethiopia, Addis Ababa UNQUOTE:

QUOTE We have been instructed to inform you that in accordance with Government decree published here on June 20th Bank of Ethiopia has been put into liquidation as from date of decree full stop Liquidator appointed Cavaliere G. Luigi Castagnaro manager Banca D Italia Addis Ababa from whom you will receive instructions and to whom please send statement

Enciphered by

Sent by operator

M.

19

865D.516/2

DG

PREPARING OFFICE  
WILL INDICATE WHETHER  
Collect  
Charge Department  
OR  
Charge to  
\$

## TELEGRAM SENT

### Department of State

TO BE TRANSMITTED  
CONFIDENTIAL CODE  
NONCONFIDENTIAL CODE  
PARTAIR  
PLAIN

- 2 -

Washington,

GRAY [ of our account up to and including June 20th. UNQUOTE (END GRAY)

Department is informed that Bank of Ethiopia has on  
deposit with National City Bank small five-figure balance.

Please furnish any available information regarding  
liquidation of Bank of Ethiopia under decree referred to  
in above telegrams and submit your comments and suggestions  
as to possible consequences involved if the National City  
Bank should comply, or refrain from complying, with instruc-  
tions in those telegrams.

NE PHAYLS

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BA

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ACTING

(Rum)

865D.516/2

CR  
JUN 27 1936.

Enciphered by .....

Sent by operator ..... M., ..... 19.....

## DOCUMENT FILE

## NOTE

SEE 865d.01/119 FOR #1733

FROM Italy ( Kirk ) DATED June 10, 1936  
TO NAME 1-1127 ..

REGARDING: Survey regarding banking organization and circulation of the Bank of Ethiopia has been completed, and the shares formerly belonging to Ethiopian Government is now property of Italian Government. An Italian banking commission is authorized to set up branches of the Italian Bank, organizing and controlling all banking transactions.

# TELEGRAM RECEIVED

DIVISION OF NEAR EASTERN AFFAIRS  
JUL 8 1936  
DEPARTMENT OF STATE

FS

This telegram must be closely paraphrased before being communicated to anyone. (A)

FROM Addis Ababa via N. R.

Dated July 3, 1936

Rec'd 11:35 p. m. 5th

Secretary of State,  
Washington.

451, July 3, 7 p. m.

Department's 287, June 27, 3 p. m. and also 293,

July 1, 5 p. m.

CONFIDENTIAL. Banking situation has been absolutely chaotic ever since the arrival of the Italians and the banking commission which was especially sent out from Italy and has been here over a month has only made the confusion worse confounded.

Without going into ludicrous details situation is briefly that the Italians took physical possession of Bank of Ethiopia on or about May 7th and have been calling it Banca d'Italia. But it never opened for business, no depositors have been paid and no checks cashed. Result is that people have lost confidence in paper thalers of which a three million are in circulation and which have already depreciated by 35% compared to silver. And although official rate is five lire to the thaler one can privately obtain eight or nine lire for a silver thaler. Legal aspects equally confused. Although the bank is entirely solvent its liquidation was ordered by Marshal Graziani by decree of

June 20

865D.516/4

GC FILED

JUL 13 1936

DEPARTMENT OF STATE  
DIVISION OF NEAR EASTERN AFFAIRS  
JUL 8 1936  
Letter to Mr. Lancaster 7/7/36 PHA/LS  
124.845/37

FS

2-No. 451, July 3, 7 p. m. from Addis Ababa

June 20 but decree was never published and the bank declined informal or (\*) request of this Legation for a copy. Legation has now applied officially for one.

Bank of Ethiopia was not owned outright or by the Ethiopian Government but about 90% of the stock is said to have been owned by the Emperor. Legally no decisions can be taken without meeting of directors of which quorum is not now in Addis Ababa (incidentally Colson is one of the directors).

Personally I should therefore advise National City Bank of New York not (repeat not) to turn funds over to Banca d'Italia for the present and suggest it consult with National Bank of Egypt in London which is large depository of Bank of Ethiopia's assets.

ENGERT

HPD

(\*) Omission



In reply refer to  
NE 865D.516/4

My dear Mr. Lancaster:

With further reference to your letter of June 24, 1936, concerning the Bank of Ethiopia, it is understood that the Italian authorities took physical possession of the bank on or about May 7, 1936, and that they subsequently gave it the name of "Banca d'Italia". At a recent date the bank was apparently ~~not~~ open for business and it is reported that depositors have not been paid and that checks are not being cashed. The Bank of Ethiopia is said to have been ordered liquidated by a decree of the Italian military authorities of June 20, 1936, but a copy of the decree is not available.

It has been suggested that your client, The National City Bank of New York, may desire to consult on this matter with the National Bank of Egypt in London, which is reported to be an important depository of the Bank of Ethiopia's assets.

Sincerely yours,

Paul H. Alling  
Acting Chief

Division of Near Eastern Affairs

Mr. William W. Lancaster,

55 Wall Street,

New York, New York.

NE PHALLS

A true copy of  
the signed original

865D.516/4

# DOCUMENT FILE

## NOTE

SEE 8654.01/142 FOR Despatch #1756

FROM Italy ( Kirk ) DATED June 26, 1936  
TO NAME 1-1127 . . .

### REGARDING:

Banking- Italian East Africa. Statement of the Government spokesman in an editorial in the GIORNALE D'ITALIA concerning liquidation of the Bank of Ethiopia.

## BANKING

The Government spokesman stated in an editorial in the *GIORNALE D'ITALIA* on June 21st that the Bank of Ethiopia would be completely liquidated and replaced in every respect by the Bank of Italy, which, in addition to its regular banking functions, would be charged with introducing and putting into circulation the lira. The Bank of Italy has two branches, one at Addis Ababa and the other at Diredawa, the two terminal points of the Djibuti Railway in Ethiopia, thus controlling the most important trade route of the Empire as regards monetary matters. In addition to this central bank, there are to be supplementary banking organizations; for the time being, however, only the Bank of Rome will be allowed to operate in Ethiopia alongside the Bank of Italy, with the idea of avoiding credit inflation or injurious competition. The Bank of Rome has in the past, the writer points out, been active in the colonies and in Egypt, Turkey, Syria, and Palestine, while in 1935-36 it created branches at Massawa, Asmara, and (last month) Mogadiscio. It will now have branches at Addis Ababa, Gondar, Dessie, and Harrar. As in Italy, the banks in Ethiopia will restrict their credit activities to short-term operations and will not finance industrial, agricultural, and commercial projects, the capital for which will be brought in by the companies or syndicates themselves. Their activities, moreover, will be carefully regulated to avoid any inflation of credit.

- 10 -

On June 23rd it was reported from Addis Ababa that the Bank of Italy had opened its doors to the public for regular banking activities, and that a large number of Italians and foreigners made deposits.

WM. W. LANCASTER



55 Wall Street  
New York

July 9, 1936

Re: NE 865D.516/4

*file  
my*

*W*

Mr. Paul H. Alling, Acting Chief  
Division of Near Eastern Affairs  
Department of State  
Washington, D.C.

Dear Mr. Alling:

I much appreciate the information contained in your letter of July 8th concerning the Bank of Ethiopia and am suggesting to the National City Bank of New York that it consults in this matter with the National Bank of Egypt in London.

Sincerely yours,

*Wm. W. Lancaster*

WWL:mjc

FILED  
JUL 10 1936

865D.516/6

DG

6

# DOCUMENT FILE

## NOTE

865d.516

7

SEE 865d.01/149 FOR #1776

FROM Italy ( Kirk ) DATED July 9, 1936  
TO NAME 1-1127

### REGARDING:

Savings Banks. Executive Committee of National Association of - met in Rome on July 2nd to establish savings banks in Ethiopia, requested their President to reach agreements with competent government authorities as to manner of establishing and operating such banks in Ethiopia.

### Savings Banks.

The Executive Committee of the National Association of Savings Banks met in Rome on July 2nd, and, after expressing satisfaction over the approval received from the Duce of their proposal to establish savings banks in Ethiopia, requested their President, Signor De Capitani, to reach agreements with the competent government authorities as to the manner of establishing and operating such banks in Ethiopia.

865D.516 / 7



Squirrel Inn

Squirrel Island, Maine

George R. Bates, Proprietor

AUG 17 1936

DIVISION OF  
COMMUNICATIONS AND RECORDS

DEPARTMENT OF STATE

AUG 15 1936

DIVISION OF  
NEAR EASTERN AFFAIRS

Aug. 13 '36

My dear Mr. Murray:-

I much

appreciate your letter  
Aug. 7, in which you  
give me a message  
from the American  
Minister Resident at  
Addis Ababa -

See 8650.516/29

Sincerely

W. Lawrence

To

Mr. Wallace Murray  
Washington D.C.

8650.516/29

FILED

AUG 17 1936

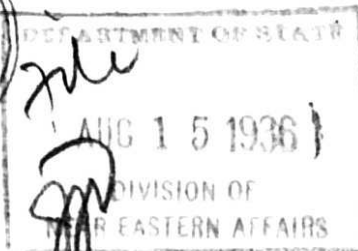
GRC

WM. W. LANCASTER

*55 Wall Street*

*New York*

August 14, 1936



Mr. Wallace Murray  
Chief, Division of Near Eastern Affairs  
Department of State  
Washington, D. C.

Dear Mr. Murray:

In Mr. Lancaster's absence from the City  
I wish to acknowledge receipt of your letter of  
August 7th containing a message to Mr. Lancaster  
from the American Minister Resident at Addis Ababa.  
I have forwarded the message to him.

Very truly yours,

*Mary J. Cleveland*

Mr. Lancaster's Office.

mjc.

AUG 17 1936

FILED



September 11 1936

ACK. & Insp. to Rome 9-3-36 WE R. J. P. - m m DATE SEP 1 - 1936

RECEIVED DEPARTMENT OF STATE

No. 271

1936 AUG 29 PM 12 31

LEGAL ADVISER SEP 2 1936 DEPARTMENT OF STATE

DIVISION OF COMMUNICATIONS AND RECORDS

DIVISION OF WESTERN EUROPEAN AFFAIRS AUG 31 1936 DEPARTMENT OF STATE

Sep. 1 1936

His Majesty's Chargé d'Affaires presents his compliments to the Secretary of State and, under instructions from His Majesty's Principal Secretary of State for Foreign Affairs, has the honour to bring the following matter to his notice.

On June 20th last the Italian authorities in Addis Ababa promulgated a decree ordering from that date the liquidation of the Bank of Ethiopia. Although it was also stated that the "liquidator" named in the decree would "present his conclusions to the Governor General of Italian East Africa" not later than fifteen days after the entry into force of the decree little progress appears so far to have been made; and as one of the consequences, the official deposits of His Majesty's Legation and Consulate in Addis Ababa, as well as the private accounts of various members of the staff, have been immobilised.

In view of this situation His Majesty's Chargé d'Affaires at Rome has been instructed

to/

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701.4184

865D.516/9

FP

to inquire informally of the Italian Government what steps they propose to take to remedy the present unsatisfactory state of affairs, which is causing great inconvenience to His Majesty's Legation and Consulate.

Mr. Ingram has also been instructed to endeavour to obtain an assurance that in any event facilities will be granted to release as soon as possible the official deposits of His Majesty's Legation and Consulate as well as the private funds of the members of those staffs who have accounts with the bank. In making his communication Mr. Ingram is to avoid implying in any way that His Majesty's Government recognise any legal right of the Italian authorities to liquidate the bank.

The above communication is being made to the United States Government in case they should be disposed to take similar action. A similar communication is also being made to the French and German Governments, although in the case of the French Government it is understood that no useful purpose will be served by encouraging to enlist their cooperation in Rome, in view of the fact that the French Government have had no account with the Bank of Ethiopia.

PHUB  
BRITISH EMBASSY,

WASHINGTON, D.C.

August 28th, 1936.

Collect

Charge Department

OR

Charge to

\$

Department of State

DEPARTMENT OF STATE

Washington,

Sept 1

August 31, 1936.

mon

This cable is confidential. Code. It must be carefully destroyed before being released to anyone.

1936 SEP 1 AM 11 44

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

AMLEGATION

ADDIS ABABA (ETHIOPIA)

346

The British Government has informed us that the official deposits of the British Legation and Consulate in Addis Ababa, as well as the private accounts of members of the staff, have been immobilized due to the liquidation of the Bank of Ethiopia, that the British Chargé d'Affaires at Rome has been instructed to make informal inquiries of the Italian Government to ascertain what steps they propose to take to remedy the QUOTE present unsatisfactory state of affairs ENDQUOTE and that in making this inquiry the Chargé d'Affaires has been instructed to avoid implying in any way that his Government recognizes any legal right of the Italian authorities to liquidate the Bank. The British Government furthermore suggests that this Government, also the French and German Governments, might wish to take similar action.

Before replying we wish to know from you whether American official or private funds are similarly immobilized.

Enciphered by

WE:RTP:NNB

Sent by operator

M.

amw

19

865D. 516/9

The Secretary of State presents his compliments to His Britannic Majesty's Chargé d'Affaires ad interim and acknowledges the receipt of a note No. 271, dated August 28, 1936, relating to the immobilization of certain funds pending the liquidation of the Bank of Ethiopia.

Funds of official Americans and of American Missionary establishments have been likewise immobilized in the Bank of Ethiopia, causing inconvenience and embarrassment.

Accordingly, the American Chargé d'Affaires at Rome has been instructed to make informal inquiries of the Italian Government - without touching upon the question of the legal right of the Italian authorities to liquidate the Bank of Ethiopia - as to whether it can-

not

not expedite a solution of this difficulty and remedy  
the present unsatisfactory state of affairs.

Department of State,

Washington. September 11 1936

  
WE:RFP:NNB

9/3/36

9/4/36  
a.m.

NE

*Handwritten signature*

SEP 8 1936  
SEP 9 1936  
CR  
*Handwritten signature*

A true copy of  
the signed origi-  
nal.

*Handwritten signature*

September 11 1936..

No. 739

Alexander C. Kirk, Esquire,  
American Chargé d'Affaires ad interim,  
Rome.

Sir:

On June 20, 1936, the Italian authorities in Addis Ababa promulgated a Decree ordering from that date the liquidation of the Bank of Ethiopia. The Decree provided that the liquidator, who was named, should present his conclusions to the "Governor General of Italian East Africa" not later than fifteen days after the entering into force of the Decree. Up to the present, however, little progress has been made toward the achievement of this result with the consequence that the funds of official Americans and of American Missionary establishments have been immobilized, thereby causing inconvenience and embarrassment.

You are requested, therefore, informally to draw the attention of the appropriate Italian authorities to this situation and to inquire whether they cannot expedite a solution. In making this communication you should not, however, imply in any way that this Government recognizes the

865D.516/9

the right of the Italian Government to liquidate the Bank.

For your information, the British Charge d'Affaires in Rome has been instructed to make a similar informal communication to the Italian Government and the British have informed the French and German Governments of their action in the possibility that they too might wish to raise this question.

Very truly yours,

For the Secretary of State:

R. Walton Moore

865. D.516/9

WE: REP: NNE

9/3/36

9/4/36  
arm

NE

gp mea

SEP 6 1936  
SEP 9 1936

A true copy of  
the signed original.  
nal.

# TELEGRAM RECEIVED

LMS

<sup>1-1236</sup>  
This telegram must be closely paraphrased before being communicated to anyone. (A)

FROM Addis Ababa

Dated September 2, 1936

Rec'd 2:10 p. m.

Secretary of State,

Washington.

543, September 2, 11 a. m.

Department's 346, September 1, noon.

Please see in this connection the Legation's 451, July 3rd, which describes conditions that still exist.

It so happens that this Legation did not have any official funds in the Bank of Ethiopia when the Italians took it over but I have a personal deposit of about fifteen hundred thalers and the American missionary institutions also have deposits not one penny of which has been paid.

CONFIDENTIAL. I entirely agree with the British that this is an "unsatisfactory state of affairs". In fact, I consider it disgraceful that after four months the Italians have made no provision either to pay depositors, cash checks or sell exchange, thus completely paralyzing the economic life of the community. If this Legation had not been able to buy thalers privately from local merchants we would have been in a most embarrassing position. With respect to banking and currency, the

Italian



865D.516/10

FILED  
SEP 16 1936

FP



LMS 2-No. 543, September 2, 11 a. m., from Addis Ababa.

Italian authorities have displayed stupidity and incompetence which I have never seen equaled.

ENGERT

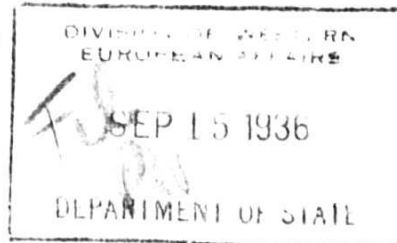
KLP



LEGATION OF THE  
UNITED STATES OF AMERICA  
Addis Ababa, Ethiopia  
July 17, 1936

No. 158

Subject: Liquidation of the Bank of Ethiopia.



COMMUNICATIONS  
AND RECORDS

REC'D  
RECORDING DESK  
FILE - WHB

1936 SEP 14 AM 11 43

865D.516/11

The Honorable

The Secretary of State  
Washington

Referring to the Legation's telegram No. 451 of July 3, 7 p.m. I have the honor to transmit herewith a copy and English translation of the Decree issued by Marshal Graziani on June 20, 1936, ordering the liquidation of the Bank of Ethiopia.

The Legation experienced considerable difficulty in procuring a copy of this Decree and only obtained one upon making an official request in writing to that effect.

On June 21, 1936, letters were sent to all Directors of the Bank summoning them to a meeting on June 24th. But as six out of ten of the Directors are out of the

ASSISTANT SECRETARY  
OF STATE

SEP 18 1936

Sir:

SEP 23 1936

FILED

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of the country no quorum could be obtained and nothing was done.

On July 6th Marshal Graziani was informed by the Italian officials in charge of the Bank that for the above reason it would be impossible to call a general meeting of the shareholders unless the Government intervened further. In compliance with this request the Marshal issued a Decree on July 10, 1936, in the preamble of which he refers to "the case of force majeure and the state of necessity" and then convokes a "General Assembly" of the shareholders of the Bank of Ethiopia for August 15 and September 1, 1936, for the purpose of discussing the liquidation of the Bank and other matters.

In the meantime there has been no change in the banking situation. No checks are cashed, no depositors are paid, and no foreign exchange is obtainable. With regard to foreign exchange it appears that the same regulations now in force in Italy will likewise be applied in Ethiopia, viz. the transfer of funds out of the country will not be permitted without special authorization in each case, and foreign bills collected by the Bank here will go into a "blocked" account and remain there until liquidated by the same process as prescribed in Italy. In other words, by establishing arbitrary - and therefore probably often unreasonable - exchange restrictions the Italian authorities will reduce purchases from countries other than Italy to a minimum, and if foreign capital should ever be employed here it will be penalized by not being allowed to remit any of

its


its profits abroad. Such an embargo on remittances, if persisted in, cannot but have a baleful effect upon the economic development of so primitive a territory as that of Ethiopia.

As regards the local currency, silver Maria Theresa Thalers are still at a great premium compared to paper money and the Italian authorities are therefore more than ever determined to flood the country with Lire notes in order not to be dependent upon the fluctuations in the price of silver. To that end Rome has already issued a Decree (said to be dated July 15, 1936) establishing the Lira as the sole official money in Italian East Africa. But whether it will be possible to force the natives to accept Lire remains to be seen. For it is well known that in Eritrea and Somaliland the Italians have had the greatest difficulty not only in introducing Lire but even in getting the natives to accept new Italian colonial silver Thalers in lieu of the old Maria Theresa ones.

In connection with the banking situation I should perhaps add that the Banca d'Italia, which has taken over the Bank of Ethiopia, is destined to do chiefly government business, while the Banco di Roma, which is to open a branch here on September 1, 1936, is to handle most of the ordinary commercial transactions. A third bank, the Cassa di Risparmio (Savings Bank), will take care of the small depositors.

Respectfully

Respectfully yours,

  
C. Van H. Engert  
Minister Resident

✓  
Enclosures:

- No. 1. Copy of Decree, dated June 20, 1936.
- No. 2. Translation of Decree.

File No. 851.6/851.51

CVHE/rlh

COPY

No. 23 di rep.

IL GOVERNATORE GENERALE DELL'A.O.I.

Riconosciuta, nell'interesse della ripresa economica dei nuovi territori, la necessità di stabilire un normale svolgimento dell'attività bancaria;

o r d i n a :

Art. 1

La Banca d'Etiopia (Bank of Ethiopia, Banque Nationale Ethiopienne) è posta in liquidazione a partire dal giorno stesso della entrata in vigore della presente ordinanza.

Le norme e la procedura della liquidazione sono quelle fissate dalle leggi commerciali vigenti nel Regno d'Italia.

Art. 2

E' nominato liquidatore della Banca d'Etiopia il signor CASTAGNARO Cav. reg. Giuseppe Luigi fu Michele, Direttore della Sede della Banca d'Italia di Addis Abeba. Egli adempirà al compito di liquidatore ed agirà di concerto con un comitato di vigilanza della liquidazione, che con la presente ordinanza è nominato ed è così composto:

BOTTARI, Comm. Dr. Nicola fu Francesco Paolo -  
Ispettore Superiore del Tesoro;

PICUCCI, Cav. Uff. Dr. Domenico fu Leonardo -  
Direttore della Banca d'Italia di Pavia,  
in missione in A.O.

LIGUORI, Vladimir - Ispettore Banca d'Italia -  
Segretario.

Art. 3

Il liquidatore è incaricato di presentare le sue conclusioni al Governatore Generale dell'A.O.I non più tardi del quindicesimo giorno successivo alla entrata in vigore della presente ordinanza.

Art. 4

La presente ordinanza entra in vigore dal giorno stesso della sua pubblicazione.

IL GOVERNATORE GENERALE

Sig. GRAZIANI

Addis Abeba 20 Giugno '36 XIV

TRANSLATION

THE GOVERNOR GENERAL OF ITALIAN EAST AFRICA

Considering that in the interest of the economic revival of the new territories there is need to establish a normal development of banking activity;

Decrees:

Art. 1

The Bank of Ethiopia, Banque Nationale Ethiopienne, is put in liquidation as from the day of the entering into force of the present decree.

The regulations and procedure for the liquidation are those established by the commercial laws of the Kingdom of Italy.

Art. 2

As liquidator of the Bank of Ethiopia is appointed Mr. Giuseppe Luigi Castagnaro, son of Michele, Director of the branch of the Banca d'Italia in Addis Ababa. He will execute the functions of liquidator and will act jointly with an advisory committee of liquidation which is appointed by the present decree and is composed as follows:

Bottari, Comm. Dr. Nicola, son of Francesco Paolo,  
Chief Inspector of the Treasury;  
Picucci, Cav. Uff. Dr. Domenico, son of Leonardo,  
Director of the Banca d'Italia in Pavia,  
on detail in East Africa;  
Liguori, Vladimiro, Inspector of the Banca d'Italia,  
Secretary.

Art. 3

The liquidator is instructed to present his conclusions to the Governor General of Italian East Africa not later than on the 15th day following the entering into force of the present decree.

Art. 4

The present decree shall enter into force on the same day of its publication.

THE GOVERNOR GENERAL

Sgd. GRAZIANI

Addis Ababa, June 20, 1936, XIV.

865d. 516

# DOCUMENT FILE

## NOTE

SEE 865d.01/166 FOR #1863

FROM Italy (Tittmann) DATED Sept. 2, 1936  
TO NAME 1-1127 ...

REGARDING: Italian administration and development of Ethiopia.  
Bank of Ethiopia, liquidation of the -  
and establishment of branches of the Bank of Rome.

12

865D.516/12



# DOCUMENT FILE

## NOTE

SEE 865d.01/171 ..... FOR Despatch #1889 .....

FROM Italy ..... ( Kirk ..... ) DATED Sept. 16, 1936 .....  
TO ..... NAME ..... 1-1127 ..... 0 P O

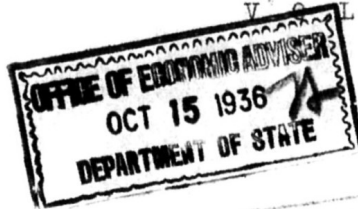
REGARDING: Banking- Italian East Africa. Opening of temporary offices  
Bank of Rome in Addis Ababa on September 3rd.

### Bank of Rome.

The temporary office of the Bank of Rome in Addis  
Ababa was opened on September 3 with elaborate ceremonies  
in which the Viceroy and high Fascist officials participated.

V. No. 19 - 1936.

V O L U N T A R Y

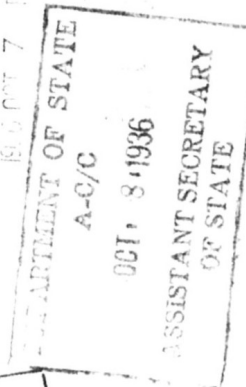


2 Copies to Com  
Cyr "Trans."  
A

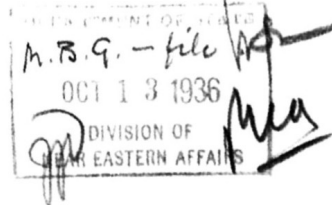
OCT 8 - 1936

7  
RECEIVED  
DEPARTMENT OF STATE

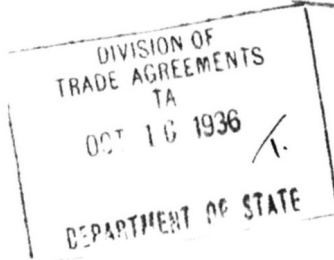
1936 OCT 7 PM 2 13



A-C/C  
RECORDING DESK  
FILE - WHB



865D.516/14



ANNOUNCEMENT OF OPENING OF ITALIAN BANKING  
FACILITIES IN ETHIOPIA AND ITALIAN  
EAST AFRICA.

By: American Consul

*Withey*  
Howard F. Withey.

FILED

OCT 20 1936

Naples, Italy. Date of completion: September 18, 1936.  
Date of mailing: September 19, 1936.

APPROVED:

*Coert du Bois*  
Coert du Bois,  
American Consul General.

GE

It will be recalled that one of the first acts of the Italian authorities following the capture of Addis Abeba and proclamation of the Empire was to wind up the affairs of the former Imperial Bank of Ethiopia and supplant it by a branch of the Bank of Italy.

Somewhat later (July 15, to be exact) the Bank of Rome (Asmara and Massaua branches) was invested with certain delegated powers enabling it to act as agent for the Bank of Italy with regard to a limited category of transactions.

Now the Bank of Rome has issued a public announcement of general banking facilities it is in a position to offer its clients in Ethiopia, Eritrea and Italian Somaliland: the substance of it appears below.

On September 3, 1936, the new Addis Abeba branch of the Bank of Rome was officially inaugurated and opened for business. Within a brief time a branch will be opened at Assab (Eritrean sea-port) and additional branches at Harrar and Dessiè (Ethiopia) are in course of organization and their openings will be announced later.

The establishment of these branches will carry into effect the mission confided to the Bank of Rome i.e. the formation of a banking chain to serve the new colonial Empire. With the branches already in operation at Addis Abeba, Asmara, Massaua and Mogadiscio (and the one at Assab nearly ready to commence operations) the principal maritime and interior regions of the East African colonies are provided

with

with a banking chain ready to serve as a channel for the great task of carrying Italian civilization to the newly conquered and adjacent territories.

Stress is put upon statements to the effect that the linking of rapid Italian communication facilities by sea and air bring the Empire to the threshold of the home-land and assure a regular and prompt banking service which will wed the economic resources of the two in a way which would have appeared highly visionary, not long ago.

The African branches of the Bank of Rome are, it is asserted, equipped to meet all the exigencies and requirements of customary and normal banking service in the same measure as that obtaining in Italy.

851.6  
HFW.BL

Information sources:

Official Gazette or as indicated above.

Quintuplicate to Department - Commercial Office.  
Copy to Commercial Attaché, Rome.

# TELEGRAM RECEIVED

LEGAL ADVISER  
OCT 28 1936  
DEPARTMENT OF STATE

Am'd. 10/16/36  
NE-PH/9C

OCT 19 1936  
OCT 26 1936

U  
This telegram must be  
closely paraphrased  
before being communicated  
to anyone. (A)

Addis Ababa  
Dated October 15, 1936

Rec'd 7:05 a.m., 16th

Secretary of State  
Washington

DEPARTMENT OF STATE  
OCT 16 1936  
DIVISION OF  
NEAR EASTERN AFFAIRS

DIVISION OF WESTERN  
EUROPEAN AFFAIRS  
OCT 16 1936  
DEPARTMENT OF STATE

Telegrams drafted  
Oct. 23, 1936

594, October 15, 1 p.m.

CONFIDENTIAL

Legation's 451, July 3; and 543, September 2. DECREE

dated August 10 made the Italian lira sole legal currency  
for Italian East Africa and declared all Ethiopian paper  
money invalid after October 15, 1936. On September 2,  
this Legation made formal written application to change  
Ethiopian paper money it was then holding into silver  
thalers. This was refused and the Legation was therefore  
obliged yesterday to change 900 paper thalers into lira  
at the official rate of five lire to the thaler.

Inasmuch as the notes of the Bank of Ethiopia had  
100% silver coverage which is still in the vaults of the  
bank and the 900 paper thalers represent 375 United States  
dollars at the rate of 2.4 thalers to the dollar, the  
actual value of the 900 paper thalers is 7125 lire at the  
present rate of 19 lire to the dollar. Net loss was there-  
fore 2625 lire or approximately \$138.

The Department's instructions are respectfully re-  
quested whether this measure, which is confiscatory in

its

865D.516/15

FILED

FP

OCT 20 1936

CHIEF  
DIVISION OF  
Foreign Service Administration

NOV 5 - 1936

U -2- #594, Oct. 15, 1 p.m. from Addis Ababa  
its effect, is applicable to the Legation and American  
citizens. I understand that of the three million thalers  
paper which were in circulation when the Italians arrived  
not more than half a million could possibly have been  
presented for exchange by today. Thus the Italian author-  
ities are not only evading the redemption of 2,500,000  
thalers but by fixing an arbitrary and totally irrational  
rate (considering the recent devaluation of the lira)  
of 9 lire to the thaler they are making a preposterous  
profit on even the small redemption which is taking place.

ENGERT

CSB

•

PREPARING OFFICE  
WILL INDICATE WHETHER

# TELEGRAM SENT

Collect

Charge Department ☒

OR

Charge to

\$

**Department of State**  
DEPARTMENT OF STATE

Washington,

936 OCT 26 PM 6:20 VIA NAVAL RADIO

DIVISION OF  
COMMUNICATIONS

October 27, 1936.

AMLEGATION,

ADDIS ABABA, (ETHIOPIA).

✓ 377  
Your 594, October 15, 1 p. m.

Since value of thaler has been fixed at five lire which would be worth between twenty-six and twenty-seven cents at current exchange rate and since basic rate for payment exchange relief in Ethiopia under Executive Order of December 24, 1934, is 33.42 cents, it is apparent that developments which you have reported have automatically terminated the necessity for payment currency appreciation losses in Ethiopia so long as value of five lire remains below basic rate.

Hull.

865D.516/15  
FA-FF

BA

NE

Enciphered by \_\_\_\_\_

Sent by operator \_\_\_\_\_ M., \_\_\_\_\_, 19\_\_\_\_

*Gray*  
TO BE TRANSMITTED  
CONFIDENTIAL CODE  
☒ NONCONFIDENTIAL CODE  
PARTIAL  
PLAIN

865D.516/15

6  
7P

(22)

OCT 24 1936

PREPARING OFFICE  
WILL INDICATE WHETHER

# TELEGRAM SENT

TO BE TRANSMITTED  
CONFIDENTIAL CODE  
NONCONFIDENTIAL CODE  
PARTIAL  
PLAIN

Collect

Charge Department  
OR

Charge to  
\$

## Department of State DEPARTMENT OF STATE

Washington,

VIA NAVAL RADIO 1936 OCT 19 PM 6 32 October 19, 1936.

AMLEGATION

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

ADDIS ABABA (ETHIOPIA) via NR

This cable was sent in confidential Code.  
It should be carefully paraphrased before  
being communicated to anyone. A

375 Your 594, October 15, one p. m.

1. Please reconcile the statement in paragraph one of above-mentioned telegram that decree declared QUOTE all Ethiopian paper money invalid after October 15, 1936 END QUOTE with the statement on page eight of the semi-annual economic survey mailed September 1 to the effect that bank notes would be redeemed until December 31, 1936.

2. How do you arrive at the rate of 2.4 thalers to the dollar and how can such rate be substantiated?

3. On August 10 the lira was quoted in New York at 7.89 cents and on September 2 at 7.87 cents or approximately 12.7 lire to the dollar. Had you changed your nine hundred thalers to lire on either of those dates and then converted the proceeds into dollars you would have received about three hundred and fifty-eight dollars. By waiting until October 15 to change your thalers you received the same amount of lire (4500) which you would have received on either of the earlier dates. But on October 15 those lire were worth fewer dollars.

Enciphered by \_\_\_\_\_

Sent by operator \_\_\_\_\_ M., \_\_\_\_\_, 19\_\_\_\_

865D.516/15



PREPARING OFFICE  
WILL INDICATE WHETHER

# TELEGRAM SENT

TO BE TRANSMITTED  
CONFIDENTIAL CODE  
NONCONFIDENTIAL CODE  
PARTAIR  
PLAIN

Collect

Charge Department

OR

Charge to

\$

## Department of State

Washington,

- 2 -

The difference was of course due to the devaluation of the lira.

4. The Department does not understand, however, that it is essential for you to convert the 4500 lire into dollars in order to remit to the Treasury. Since such lire will presumably be expended locally and since they will presumably purchase approximately the same amount of goods or services which they would have bought in August or September (barring a rise in prices or wages) it is apparent that the loss to which you refer is only nominal and would be incurred only in the event you converted your lire into dollars.

NE: PHA/GC

865 D.516/15

GFA

BA

(over)

1938-1939

Enciphered by \_\_\_\_\_

Sent by operator \_\_\_\_\_ M., \_\_\_\_\_, 19\_\_\_\_

DEPARTMENT OF STATE

~~BA~~

DIVISION OF NEAR EASTERN AFFAIRS

October 24, 1936.

✓  
BA: *concur that*  
FA:  
BA:

Unless you have contrary views it is suggested that no further action be taken on the question raised in the attached telegram. It seems clear that the Government has suffered no appreciable loss and that we can hardly insist that thaler notes in the possession of the Legation be redeemed in silver in order that we may make a substantial profit on the transaction.

*Concur - we couldn't  
get very far on this. En-  
gineer's paragraph 4.*  
H (EA)  
MF

PHA/LS

CA

A portion of **TELEGRAM RECEIVED**  
gram must be closely para-  
phrased before being  
communicated to anyone (A)

1-1336

Dated Oct. 23, 1936.

Rec'd 7:11 p.m.

Secretary of State,

Washington.

607, October 23, 10 a.m.

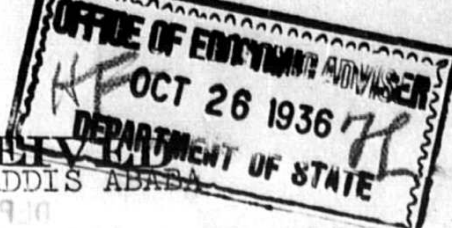
(GRAY) Department's 375, October 19, 7 p.m.

One. Date given in semi-annual review was due to mis-  
print in the decree as published in the GIORNALE DI ADDIS  
ABABA of August 19. Time limit for banknotes should have been  
October 15 and for nickel coins December 31. As stated in  
paragraph five of the Legation's 565, September 29, 10 a.m.  
we have found it next to impossible to procure official texts  
of decrees (END GRAY)

Two. Rate of 2.4 silver thalers to the dollar has been  
obtainable this month for dollar drafts from reputable local  
merchants although no official dollar-thalers spot rate was  
quoted.

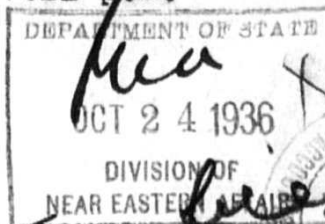
(GRAY) Three. The 900 paper thalers in question belonged  
to Legation's special fund for the installation of the radio  
station and other emergencies. There is, therefore, no ques-  
tion of converting them into dollars or remitting to the Treas-  
ury but merely obtaining largest possible amount in line for  
local expenditures. (END GRAY)

Four. Principle involved is that paper thalers have been  
and are now entirely covered by silver set aside by the Bank  
of Ethiopia



DEPARTMENT OF STATE

OCT 27 1936  
DIVISION OF FOREIGN  
SERVICE ADMINISTRATION



FP

CONFIDENTIAL FILE

CA

--2--607 Addis Ababa Oct. 23, 10 a.m...

Eithiopia for their redemption but which the Italian authorities have appropriated. It is the refusal of the authorities to redeem the notes in silver which appears to me unreasonable and objectionable.

Five. STRICTLY CONFIDENTIAL. Under pressure from the French Government the Italian authorities have permitted the French railway company to change all its paper thalers into silver thalers at par. The value of the silver thalers is now in the neighborhood of ten lire instead of the official five. The advantage is obvious.

ENGERT

NPL SMS

# TELEGRAM RECEIVED

NC

A portion of this telegram must be closely paraphrased before being communicated to anyone. (A)

Addis Ababa

Dated October 23, 1936

Rec'd 11:a.m.

OCT 27 1936

Secretary of State

Washington

612, Oct 26, 10 a.m.

Please see paragraph one of the Legation's 607, October 23, 10 a.m.

Italian authorities yesterday suddenly announced that the date after which nickel coins will be invalid has been advanced to October 31, 1936 instead of December 22, as fixed by decree of August 10th.

Confidential. This is a typical example of the utter state of confusion into which Italian financial and economic measures are throwing this country. Changing a law of such great importance to the small trader and the poorer classes only six days before it becomes effective is, I believe, quite unprecedented. The great majority of the people in the interior including our missionaries will, owing to lack of communications, find it of course impossible to exchange their small coins by October 31st just as most of them were unable to get rid of paper money by October 15th. The manner in which both demonetizing operations are carried into effect is calculated to yield entirely unwar-  
anted profits to the Italian authorities.

ENGERT

CSB

365D.516/17

GMB

FILED

OCT 28 1936

Del. to Addis  
10/24/36  
NE  
NE  
EA

DIVISION OF WESTERN  
EUROPEAN AFFAIRS  
OCT 27 1936  
DEPARTMENT OF STATE

DEPARTMENT OF STATE  
OCT 26 1936  
DIVISION OF  
NEAR EASTERN AFFAIRS

OFFICE OF AMERICAN AFFAIRS  
OCT 27 1936  
DEPARTMENT OF STATE

notes  
865D.516/17  
865D.516/17

VOLUNTARY REPORT.-

NE II-10

NE

884.515  
126

THE MARIA THERESA THALER  
IN ETHIOPIA,  
AS INFLUENCED BY THE EVENTS IN 1935.

From Vice Consul

.....  
William M. Cramp.

Addis Ababa, Ethiopia.

Date of Completion: Mar. 5, 1936.

Date of Mailing: Mar. 7, 1936.

APPROVED:

.....  
C. Van H. Engert  
Minister Resident &  
Consul General.

The

The Maria Theresa thaler was originally issued in Vienna, Austria, in 1780, and due to its high silver content gradually became acceptable as legal tender in the countries of the southern part of the Arabian peninsula. At the present time it is in circulation in Aden, the Bahrein Islands, the Hadramaut, Muscat-Oman, and the Yemen. However, the only country where it became the base of the currency system was Ethiopia, which it is today.

Although in the remote provinces of Ethiopia bars of rock salt, cartridges, and agricultural produce are still used in lieu of money and practically all trade is under the barter system, in the capital and the larger towns and those parts of the country in contact with foreign commercial enterprise, the thaler is the unit of exchange.

As used today, the thaler is similar to the original one cast, having on its face a bust of the Empress Maria Theresa of Austria, dated 1780, and on its reverse side the double-headed Austrian eagle. Its weight is 28.0668 grams, being an alloy of 83.33% silver and 16.67% copper. It is forty millimeters in diameter and two millimeters thick.

Confidential. It has been learned that the die and the exclusive right of manufacturing thalers has been acquired by an Italian company from the Austrian government. The die is said to have been taken to Rome from Vienna just before or at the time of the beginning of  
hostilities

hostilities between Italy and Ethiopia in 1935. At the present writing, it is believed to be the only die in existence, as the Ethiopian government has made no attempt to mint new thalers, nor has it purchased thalers abroad for the past several years.

During the reign of the Emperor Menelik, 1889 - 1913, a thaler was minted and placed into circulation having the head of Menelik on its face and the Lion of Judah on its reverse. The silver content was higher than the Maria Theresa thaler, being nearly 90%. Subsidiary silver coins were issued in denominations of halves, quarters and eighths, but all of these "Menelik" coins are gradually being withdrawn from circulation and exported for sale on the world silver market. A copper coin, the "besa", of which there are thirty-two to the thaler, was issued at this time and is now also being slowly withdrawn.

The Maria Theresa thaler remains the basic coin in use, and in 1934 nickel subsidiary coins in denominations of fifty, twenty-five and ten centimes were issued with arbitrary values, having the head of the present Emperor, Haile Selassie I, on their face and the Lion of Judah on their reverse. New copper coins in circulation are the five and one centime pieces.

In



In many parts of the interior this new coinage is not yet accepted, only subsidiary coins issued by the Emperor Menelik being usable, but it is believed that as these practically untouched markets are opened up, the new currency will entirely replace the old.

Banknotes have been issued by the Bank of Ethiopia in one thousand, five hundred, one hundred, fifty, ten, five and two thaler denominations, and the notes in circulation, which approximate three million thalers, are covered by a silver reserve in the same amount.

Fluctuations in the exchange value of the thaler during the past five years have been high, which increased during 1935 due to the rise of the world price of silver and the comparative instability of the market therefor. The following tables have been prepared as a basis for discussion concerning these fluctuations:

<u>Year</u>	<u>US\$1.00 - MT\$</u> <u>Average</u>
1929	2.37
1930	2.90
1931	4.40
1932	4.90
1933	3.90
1934	2.99
1935	2.86

<u>Month</u>	<u>US\$1.00 - MT\$</u>
January	3.01
February	3.03
March	3.06
April	2.93
May	2.34
June	2.51
July	2.75
August	2.86
September	3.22
October	2.92
November	2.68
December	2.99

While the average rate of exchange for the year 1935 was US\$1.00 - MT\$2.86, the fluctuations ranged from US\$1.00 - MT\$2.03 on April 27th to US\$1.00 - MT\$3.42 on September 1st.

From the end of the World War until October 1931, the exchange value of the thaler fluctuated with the world price of silver and the demand for thalers. This fluctuation was not heavy and varied only slightly from year to year. However, following Great Britain's abandonment of the gold standard, the thaler depreciated to its highest level in the past decade, the average rate of exchange during 1932 being US\$1.00 - MT\$4.90. It should be noted that the Bank of Ethiopia has no exchange rates from United States dollars directly to Maria Theresa thalers, but always establishes such a rate through the pound sterling.

Import prices rose accordingly and the cost of living index found a new high level, due to the fact that the foreign colony is so largely dependent on imported goods. In spite of the subsequent depreciation of the thaler, prices of imported goods have remained approximately the same as those reached at that time.

During 1933 and 1934 the pound sterling appreciated and continued to improve against the American dollar, and the thaler appreciated during this period to an approximately stable value of US\$1.00 - MT\$3.00, which held

during

during the first quarter of 1935.

Following the inauguration of the silver policy of the United States Government and the subsequent rise in the world price of silver, thaler fluctuations became out of all proportion. In April, the thaler varied from US\$1.00 - MT\$3.00 to US\$1.00 - MT\$2.00 and back to US\$1.00 MT\$2.50 in less than three weeks, accompanied by and partly due to excessive and wild speculation.

There is a prohibition on the export of thalers from Ethiopia, excepting by the Emperor, which is rigidly enforced. However, following the rise on the world price of silver, smuggling activities increased enormously. Furthermore, large shipments of thalers were made by the Ethiopian Government in order to establish foreign credits and to take advantage of the favorable price of silver with which to purchase munitions, and there was thus a heavy movement of thalers from the country.

At the same time, due to the unsettled political situation and the practical cessation of imports, although exports continued with but a small decrease in quantity, many merchants drew their funds in foreign exchange in the months of May and June, in order to place them abroad in safety, it being believed that hostilities might commence at any time.

The result of this was that the supplies of foreign exchange held by the Bank of Ethiopia were becoming exhausted

exhausted and the Bank closed down on the selling of exchange, except in small amounts to people leaving the country, thus enabling them to pay travelling expenses.

A mild panic resulted amongst the merchants and local money lenders who control exchange rates here. On July 11, 1935, the Bank of Ethiopia established a nominal set rate of exchange, which was purely artificial, of US\$1.00 - MT\$2.75, although the rate which would have held if the export of thalers and the free purchase of foreign exchange were permitted, in accordance with the world price of silver, would have been approximately US\$1.00 - MT\$2.10. The rate in the local bazaar at this time was fluctuating between US\$1.00 - MT\$3.00 and MT\$3.25.

A petition was then forwarded to the Emperor by local merchants to permit the free export of thalers, and all shops in Addis Ababa closed down for one day, July 30, 1935, as a protest against the establishment of artificial rates of exchange.

Aided by the unsettled political situation and the lack of demand for thalers, due to the practical cessation of trade, the Bank of Ethiopia was able to hold for a short time its low pegged rate which was established when it closed down on the sale of foreign exchange.

All thaler reserves were thrown on the market and the bazaar rate depreciated to US\$1.00 - MT\$3.40. At the same time, a false rumor was circulated that the

Bank

Bank was going to repudiate its notes, and for several days all monies were being converted into silver. However as the Bank paid all demands for silver, the run which had started was soon stopped.

In September, following the appreciation of the bazaar rate, the Bank could no longer hold its artificially established rate, which found its own level averaging for that month US\$1.00 - MT\$3.22. With the close of the rainy season, export merchandise began to arrive from the provinces and the demand for thalers increased. Due to this, the thaler appreciated and at the close of the year had dropped to US\$1.00 - MT\$3.00.

It should be noted that this still is an artificial rate due to the prohibition of the export of silver, as the intrinsic value of the thaler in accordance with the world price of silver is about US\$1.00 - MT\$2.25. At the present writing the thaler has fallen to US\$1.00 - MT\$2.66, and, as the political situation continues to be a matter of pure conjecture, it is impossible to forecast in any way what the currency situation will be in the ensuing year.

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Sources of Information:

Interviews local merchants and Bank officials.

File No. 851.5  
WMC/jef.

copy of  
original  
filed

PREPARING OFFICE  
WILL INDICATE WHETHER

## TELEGRAM SENT

TO BE TRANSMITTED  
CONFIDENTIAL CODE  
NONCONFIDENTIAL CODE  
PARTAIR  
PLAIN

Collect

Charge Department  
OR

Charge to

## Department of State

DEPARTMENT OF STATE

Washington,

1936 OCT 27 PM 1 23

October 27, 1936

VIA NAVAL RADIO

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

AMLEGATION,

ADDIS ABABA (ETHIOPIA).

379  
Your, 612, October 26, 10 a.m.

The Department, had, assumed that, few, nickel, coins, would be, in circulation, in the, interior, (see your, report of, May, 5, 1936, entitled, QUOTE The, Maria, Theresa, Dollar, in Ethiopia UNQUOTE pages 3 and 4), and that, American, nationals, in the, areas, not yet, occupied by, Italian forces, would be, unlikely, to possess, such, coins, in any, appreciable, amount., It was, also, assumed that, American, nationals, likely to, have, paper and, nickel, Ethiopian, currency, would probably be, those, located, in, or, near, Addis Ababa, and that, such nationals, have had an, opportunity, to redeem their, holdings., However, if these, assumptions, should, later, prove to be, inaccurate, the Department, would be, prepared, upon, receiving, more precise, information, as to, amounts, involved, to consider, taking up, the matter, with the Italian, authorities, with a view to, obtaining, fair and, equitable, treatment, for

Enciphered by \_\_\_\_\_

Sent by operator \_\_\_\_\_ M., \_\_\_\_\_, 19\_\_\_\_

865D.516/17



PREPARING OFFICE  
WILL INDICATE WHETHER

# TELEGRAM SENT

TO BE TRANSMITTED  
CONFIDENTIAL CODE  
NONCONFIDENTIAL CODE  
PARTAIR  
PLAIN

Collect

Charge Department  
OR

Charge to  
\$

## Department of State

- 2 -

Washington,

American nationals, in regard to the redemption of, their,  
paper, nickel, and other subsidiary Ethiopian currency.

Still  
(Run)

NE PHA/LS

EA  
H.F

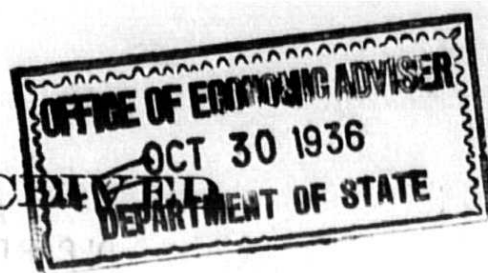
865D.516/17

OCT 27, 1936.

Enciphered by \_\_\_\_\_

Sent by operator \_\_\_\_\_ M., \_\_\_\_\_, 19\_\_\_\_,

# TELEGRAM RECEIVED



✓ NE  
E

U

1-1836

This telegram must be closely paraphrased before being communicated to anyone. (A)

FROM

Addis Ababa

Dated October 28, 1936

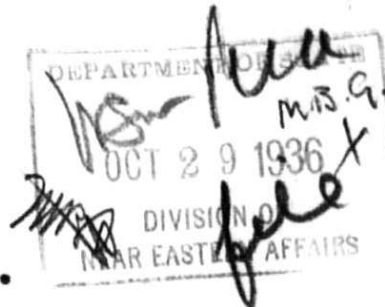
Rec'd 9:55 p.m.

Secretary of State

Washington

618, October 28, 1 p.m.

Your 379, October 27, 2 p.m.



The Department is of course correct in assuming that the losses, if any, which might be sustained by American citizens or institutions <sup>would be</sup> relatively insignificant. My desire was chiefly to direct attention to the disregard of principles and the unbusinesslike methods employed.

ENGERT

GW:WIC

OCT 31 1936

FILED

865D.516/18

GE



19

# DOCUMENT FILE

## NOTE

865d 516

865D.516 / 19

SEE 865d.516/17 FOR Tel. #379, 10 am

FROM ( ) DATED Oct. 27, 1936  
TO Ethiopia NAME 1-1127

### REGARDING:

Redemption of paper, nickel and other subsidiary Ethiopian currency. Assumption that Americans have redeemed their holdings but if assumptions should prove to be inaccurate the Department will be prepared to consider taking up matter with Italian authorities.

ge

# TELEGRAM RECEIVED

U  
DEPARTMENT OF STATE  
NOV 7 1936  
DIVISION OF FOREIGN  
SERVICE ADMINISTRATION

1-1336



Secretary of State

Washington

527, November 2, noon.

865D.516/15  
My 594, October 15, 1 p.m.

GIORNALE DI ADDIS ABABA, dated October 31, distributed today, states that beginning yesterday, November 1, exchange rate for silver thalers will be 8.5 lire in Addis Ababa, Harar Somalia and Galla - Sidamo, and nine lire in ~~Amhara~~ and Eritrea instead of 5 as heretofore.

ENGERT

KLP

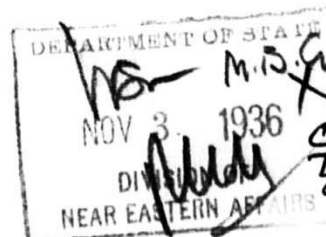
FROM PLAIN

Addis Ababa

Dated November 2, 1936

Rec'd 3rd, 3:18 a.m.

November 5 1936



file -  
copies to  
Thes. +  
Commerce  
MBG-FMC

865D 516/20

NOV 10 1936

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November 5 1936

In reply refer to  
NE 865D.516/20

The Secretary of State presents his compliments  
to the Honorable the Secretary of Commerce and transmits  
for the information of the Commerce Department a copy of  
a telegram from the Minister Resident at Addis Ababa, dated  
November 2, 1936, regarding a modification in the exchange  
rate for the silver thaler.

865D.516/20

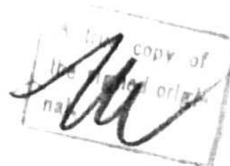
Enclosure:  
From Addis Ababa,  
telegram No. 627, November 2, noon.

NE:MEG:PMC:SS

11-4

M.B.G.

✓  
1936 PM



PHA

In reply refer to  
NE 865D.516/20

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits for the information of the Treasury Department a copy of a telegram from the Minister Resident at Addis Ababa, dated November 2, 1936, regarding a modification in the exchange rate for the silver thaler.

Enclosure:  
From Addis Ababa,  
telegram No. 627, November 2, noon.

NE:MEG:FMC:SS 11-4

M.R.G.

✓  
*[Signature]*

A true copy of  
the original  
*[Signature]*

*[Signature: PHA]*

865D.516/20

DEPARTMENT OF STATE

DIVISION OF NEAR EASTERN AFFAIRS

July 25, 1936.

Mr. John H. Spencer, formerly adviser to the Ethiopian Ministry of Foreign Affairs, informed me yesterday that one of the reasons for Mr. Colson, ex-financial adviser to the Ethiopian Government, visiting London recently was to form a quorum for a meeting of the Board of Directors of the Bank of Ethiopia. Apparently such a meeting of the Board was held, but Mr. Spencer had no information as to the decisions taken. In this connection reference is made to paragraph three of telegram 451, July 3, 7 p.m., from the American Minister Resident at Addis Ababa.

865D.516/21

GMB

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NOV 9 1936

PHS/LS

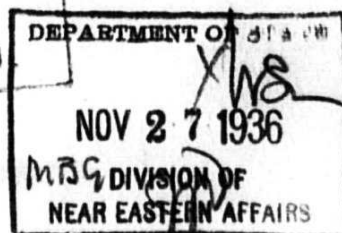
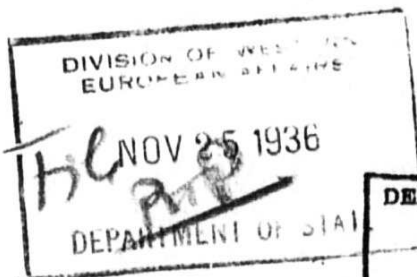


EMBASSY OF THE  
UNITED STATES OF AMERICA  
ROME, November 12, 1936.

WE  
NE  
K

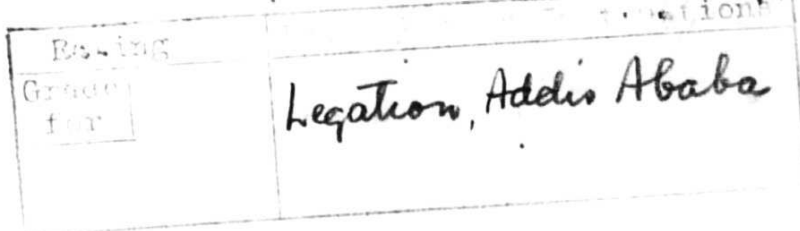
No. 72

Subject: Liquidation of the Bank of Ethiopia.



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RECEIVED  
DEPARTMENT OF STATE

1936 NOV 24 PM 3 01



865D.516/22

GMB

The Honorable

The Secretary of State,  
Washington.

Sir:

In compliance with the Department's instruction  
No. 739 of September 11, 1936, regarding the liquidation

of the Bank of Ethiopia, I have the honor to inform the  
Department that the Embassy informally drew the attention  
of the Italian Ministry of Foreign Affairs to the incon-  
venience and embarrassment caused to official Americans  
and American missionary establishments by the continued  
immobilization of their funds in the Bank of Ethiopia.

In reply the Ministry of Foreign Affairs in a  
memorandum dated November 9, 1936, states that the oper-  
ations for putting the Bank of Ethiopia into liquidation  
have now been completed but, through no fault of the  
Government

Government

addis ababa

11/30/36

9

DEC 2 1936


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DEPARTMENT OF STATE  
A-C/C  
NOV 24 1936  
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DEPARTMENT OF STATE

Government of East Africa or of the liquidators of the Bank, reimbursement of deposits cannot be made until funds belonging to the Bank, blocked in the National Bank of Egypt at Cairo and in the London branch thereof, have been released. A translation of the Foreign Office's above-mentioned reply is transmitted herewith.

In this connection I have the honor to add that the British Chargé d'Affaires in Rome duly made informal representations on this matter to the Italian Government at the end of last September, and a member of the British Embassy states that a reply similar to that enclosed has just been received. I am furthermore informed that no further action will be taken by the British Embassy pending the receipt of additional instructions from London.

Respectfully yours,



William Phillips.

/

Enclosure:

Translation of Foreign Office Memorandum.

GG/AK/gc

851.6

(Translation)

Ministry of Foreign Affairs,  
Eu. Med. III

236900/89

MEMORANDUM

With reference to the memorandum presented by the Embassy of the United States of America on September 28 last, the Royal Ministry of Foreign Affairs, after obtaining information from the Royal Ministry of Colonies, is in a position to state that the necessary operations for putting the Bank of Ethiopia into liquidation have now been completed.

Under such conditions no difficulty is being made by the Government General of Italian East Africa with respect to the reimbursement to third parties, either Italians or foreigners, of deposits made by them in the Bank in question. However, it turns out that the assets of the Bank of Ethiopia from which the amounts for such reimbursement were to have been taken, are composed of deposits and accounts current belonging to the said Bank, the largest part of which are lying blocked in the head office at Cairo and the branch in London, of the National Bank of Egypt.

Until these deposits and accounts current are released, the Bank of Ethiopia in liquidation will not be in a position, as it would wish, to proceed  
without



without further formality to the reimbursement to third depositors of the sums belonging to them.

In communicating the foregoing, the Royal Ministry of Foreign Affairs expresses its regret that, as a result of this situation, which moreover is not the fault either of the Government of Italian East Africa or of the liquidators of the Bank of Ethiopia, there are up to now immobilized, among others, the deposits and accounts current of American officials and missionaries in Addis Ababa.

Rome, November 9, 1936 Year XV.

(Seal)

To the Embassy of the United  
States of America,  
R o m e.

## DOCUMENT FILE

## NOTE

SEE 865d.01/237 FOR #132

FROM Italy (Phillips) DATED Dec. 22, 1936  
TO NAME 1-1127 aro

## REGARDING:

Branch of Bank of Italy opened at Harrar to carry  
on transactions of a miscellaneous character  
in accordance with development of requirements.

mb

865D.516/23

GH  
23

# DOCUMENT FILE

## NOTE

SEE 124.845/63 FOR Tel. 18, 2pm.

FROM Ethiopia ( Engert ) DATED Jan. 14, 1937  
TO NAME 1-1127

### REGARDING:

Maria Theresa thalers have been made legal tender but not more than fifty thalers at a time can be obtained from the bank. Actually impossible to obtain silver at less than ten or eleven lire.

M

865D.516/24

24  
865D.516  
GH

25

# DOCUMENT FILE

## NOTE

SEE 865d.01/247 FOR Despatch #155

FROM Italy ( Phillips ) DATED Jan. 13, 1937  
TO NAME 1-1127 o p o

REGARDING: Banking- Italian East Africa. Opening in Dessie of branch of Bank of Rome.

### Banking.

On January 2nd, in the presence of Italian civil and military officials and native chieftains, a branch of the Bank of Rome was formally opened in Dessie.

26

## DOCUMENT FILE

## NOTE

SEE 865d.01/281 FOR #336

FROM Italy (Kirk) DATED Apr. 25, 1937  
TO NAME 1-1127 GPO

## REGARDING:

Announcement that the Bank of Rome has opened two new branches at Gore and Dembi-Dollo in the Uollega region of Ethiopia.

ge

865D.516/26

GMB

# DOCUMENT FILE

## NOTE

SEE 865d.01/286 FOR Des.#371

FROM Italy (Phillips) DATED May 20, 1937

~~to~~

NAME

1-1127 GPO

### REGARDING:

Report of Italian administration and development of Ethiopia.  
Bank of Ethiopia now in process of liquidation and the  
Italian liquidator has full juridical authority.

ML

865D.516/27

GML7

# DOCUMENT FILE

## NOTE

SEE 841.00 P.R./491 FOR # 3070

FROM Great Britain (Atherton) DATED May 17, 1937  
TO NAME 1-1127 GPO

REGARDING: Excerpts from a report in THE TIMES of May 12 of a  
Judgment in a suit between the Bank of Ethiopia and  
the National Bank of Egypt and Liquori before the  
High Court of Justice, Chancery Division.

j

865D.516/28

GDG

28

Court Judgment concerning Bank of Ethiopia.

825 D. 516  
712.516  
There follow excerpts from a report in THE TIMES of May 12 of a judgment in a suit between the Bank of Ethiopia and the National Bank of Egypt and Liguori before the High Court of Justice, Chancery Division:

"The issue before the Court was whether the Bank of Ethiopia was dissolved, or had otherwise ceased to exist, or, if it had not ceased to exist, whether it had authorized the action to be brought."

\* \* \*  
"Mr. Justice Clauson, in giving judgment, said that last December the British Government had recognized the Italian Government as being in fact the Government of the area then under Italian control. The effect of the certificate issued by the Foreign Office was that he was bound to treat the acts of the Government which was so recognized as acts which could not be impugned on the ground that they were not the rightful but a usurping Government."

\* \* \*  
"On the issues in the action, he (his Lordship) held that the Bank of Ethiopia had been dissolved and had ceased to exist, and that the action, having been brought otherwise than by or under the authority of the liquidator, had not been authorized by the Bank of Ethiopia."



## DOCUMENT FILE

## NOTE

SEE 865d.01/292 FOR Despatch #432

FROM Italy (Phillips) DATED June 17, 1937  
TO NAME 1-1127 GPOREGARDING: Banking- Italy. Opening of branch of Bank of Rome in  
Gimma on May 21st.Bank of Rome.

A press despatch under Gimma date line reported that a branch of the Bank of Rome was opened at Gimma on May 21st. In this connection it will be recalled that the Bank of Rome on April 23rd opened branches at Gore and Dembi-Dollo (Embassy's despatch No. 336 of April 25, 1937).



THE FOREIGN SERVICE  
OF THE  
UNITED STATES OF AMERICA

14628

AE  
14628  
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No. 487

AMERICAN EMBASSY

ROME, July 15, 1937.

Subject: Liquidation of the Bank of Ethiopia.

DEPARTMENT OF STATE

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DEPARTMENT OF STATE

1937 JUL 27 PM 2 03

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

AUG 3 - 1937

DIVISION OF FOREIGN  
SERVICE ADMINISTRATION

DIVISION OF  
EUROPEAN AFFAIRS  
AUG 3 1937  
DEPARTMENT OF STATE

~~DISSEMINATION~~ - CHECK

To the Field  
In U. S. A. ☒

Commerce  
Treasury

RECORDING DIV  
FILE - WHB

ASSISTANT SECRETARY  
OF STATE

The Honorable

The Secretary of State,  
Washington.

OFFICE OF THE ADVISER ON  
INTERNATIONAL ECONOMIC AFFAIRS  
SEP 1 - 1937  
DEPARTMENT OF STATE

DEPARTMENT OF STATE  
JUL 28 1937  
DIVISION OF  
NEAR EASTERN AFFAIRS

Sir:

865d.516  
With reference to the Department's instruction No. 739 of September 11, 1936, and to the Embassy's despatch No. 72<sup>22</sup> of November 12, 1936, regarding the liquidation of the Bank of Ethiopia, I have the honor to inform the Department that the following news despatch under Addis Ababa dateline was published in the press on July 9th:

"The Governor of the City has issued a proclamation to inform former depositors of the Bank of Ethiopia that, in spite of the inevitable administrative delays which have hitherto hindered the total liquidation of the deposits and especially those which have arisen during operations to realize credits...

865D.516/30

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credits with foreign banks, the Government, with a view to avoiding further prejudice to depositors from the latter delay, has provided that all persons concerned may request an advance in Italian lire up to a maximum amount of two thirds of their respective deposits.

"The proclamation also states that those who wish to avail themselves of this privilege must obtain from the liquidator of the Bank of Ethiopia a document proving their credit and present it to the National Company of Ethiopia which will pay the said advance without further formalities."

Respectfully yours,

For the Ambassador:

A handwritten signature in dark ink, appearing to read "A. Kirk". The signature is fluid and cursive, with the first letter "A" being large and prominent.

Alexander Kirk,  
Counselor of Embassy.

Central File: Decimal File 865D.516, Internal Affairs Of States, Financial Conditions. Budget. Dept. Bond Issues. Loans. Public Securities. Credits., Italian East Africa, Banks. Banking., May 29, 1936 July 15, 1937. May 29, 1936 July 15, 1937. MS European Colonialism in the Early 20th Century. National Archives (United States). Archives Unbound, [link.gale.com%2Fapps%2Fdoc%2FSC5109727555%2FGDSC%3Fu%3Domni%26sid%3Dbbookmark-GDSC](https://link.gale.com%2Fapps%2Fdoc%2FSC5109727555%2FGDSC%3Fu%3Domni%26sid%3Dbbookmark-GDSC). Accessed 18 June 2025.